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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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July 08, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

12 July 8, 2014

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**EXERCISE FIVE-YEAR OPTION TO RENEW LEASE NO. 74718
DEPARTMENT OF HEALTH SERVICES
10430 SLUSHER DRIVE, SANTA FE SPRINGS
(FOURTH DISTRICT)
(3 VOTES)**

SUBJECT

A five-year lease renewal of 45,290 square feet of warehouse and office space, including 50 parking spaces, located at 10430 Slusher Drive, Santa Fe Springs, for the Department of Health Services.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease renewal is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Exercise the first of two options to renew the lease for a five-year term with Legacy Partners II, for 45,290 rentable square feet of warehouse and office space, including 50 parking spaces, located at 10430 Slusher Drive, Santa Fe Springs, for the Department of Health Services at an annual rent for the first year of the extension term of \$423,915. The rental cost is 100 percent offset by Homeland Security grant funding.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

A ten-year lease comprising 45,290 rentable square feet of warehouse and office space at 10430 Slusher Drive, Santa Fe Springs (Slusher) was adopted by the Board on December 16, 2003 (Lease). The Department of Health Services' (DHS), Emergency Medical Services (EMS) Agency commenced occupancy of 24,591 rentable square feet in June 2004, and the remaining 20,699 rentable square feet was subleased to the United States of America (USA) in connection with its participation in the federal National Disaster Medical System (NDMS) program.

In November 2009, USA implemented a new regionalization plan for its NDMS program, which sought to create a more modernized logistic operation. The new plan called for USA to vacate the Slusher facility and relocate all of its supplies to another location, and for DHS to house its Emergency Medical Services Mobile Medical System (MoMS) program in the vacated space. The benefits of DHS using all of the warehouse space are (1) the warehouse space is seismically retrofitted to meet County of Los Angeles (County) policy standards, (2) the space has been fitted with an exhaust ventilation system allowing for the storing of vehicles in the warehouse, and (3) the space fulfills DHS' requirement to co-locate its Disaster Response programs at one central location for an essential facility as a base to perform its essential County-wide operations.

The original term of the Lease expired on June 20, 2014, and DHS has requested that the first year option be exercised to extend the term of the Lease for an additional five years to continue uninterrupted use of the warehouse and office space to perform its essential County-wide operations. The Legacy Partners II (Lessor) has agreed to a short-term holdover tenancy pending the Board's approval of the five-year lease renewal.

The facility continues to be an integral part of the County's effort to provide medical and health resources to support the response to disaster victims in the County's operational area. The facility houses a staff of nine, the DHS, Mobile Emergency Operations Center (DEOC) and the MoMS. In addition, in the event of a disaster, the DHS Departmental Operation Center can be operated out of the facility should the EMS Agency headquarters at 10100 Pioneer Boulevard in Santa Fe Springs suffer a physical plant failure.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness (Goal 1) directs that we maximize the effectiveness of process, structure, and operations to support timely delivery of customer-oriented and efficient public service. The proposed lease renewal supports this goal by continuing operation of a facility that supports public services, in accordance with the Strategic Asset Management Principles, as further outlined in Attachment A.

FISCAL IMPACT/FINANCING

The Lease contains a provision for set annual increases of \$0.02 per month per square foot. The new rate, should the renewal be approved, would increase the monthly per-square-foot (psf) cost from \$0.76 to \$0.78, or an increase of approximately 2.5 percent, during the first year. The annual rent for the first year of the renewal term will be \$423,915, based on the provisions of the Lease.

Sufficient funding for the proposed renewal is included in the Fiscal Year 2014-15 Rent Expense budget and will be charged back to DHS. Sufficient funding is available in DHS' operating budget to cover the proposed lease costs. Attachment B is an overview of the lease costs for this lease renewal.

The annual Lease cost for DHS is 100 percent offset by Homeland Security grant funds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Notice of intent to exercise this option has been provided to the Lessor. The Lease renewal requires the Board to exercise the option and contains the following terms and conditions.

- A five-year extension of the Lease term becomes effective upon approval by the Board of Supervisors.
- There is a one-time cancellation provision allowing the County to cancel with written notice given on the first day following the first twenty-four (24) months of the option term and the effective date of any such termination must be at least 120 days thereafter.
- The Lease provides 45,290 rentable square feet of space, consisting of 41,290 rentable square feet of warehouse space, 4,000 rentable square feet of office space, and on-site parking for 50 vehicles.
- The Lease continues on a modified full-service basis whereby the Lessor is responsible for maintenance and the County is responsible to pay for all electrical consumption and water.
- The rent under the Lease will be subject to annual increases of \$0.02 psf per month, which is approximately 2.5 percent per year.
- There are no tenant improvements included with the renewal of the Lease.

The Chief Executive Office (CEO) Real Estate Division (RED) staff did not survey the County for alternative sites as this was a renewal for the DHS EMS Agency and the warehouse space is seismically retrofitted to meet County policy standards. Additionally, the space fulfills DHS' requirements. CEO RED staff surveyed the County areas that best could service this need of the department to determine the market rate of comparable sites. Based upon said survey, staff has established that the base rental range, including parking for similar property, is between \$10.80 and \$12.00 per square foot per year modified full-service. Thus, the base annual rent of \$9.36 per square foot for the base lease cost is below the range of comparable market rental rates for the area.

Attachment C shows County-owned and leased facilities within the search area for these programs and none are available to house these programs. The cost to renovate and build out warehouse space to meet the needs of the user at a new location is not feasible at this time. Should a more cost-effective facility or housing approach become available in the near future, the early termination right negotiated in the lease affords the County flexibility to pursue future opportunities.

The Department of Public Works previously inspected this facility and its recommendation concluded that the facility met the County's requirements for use by the County for essential emergency use after the seismic retrofit was completed.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from California Environmental Quality Act Guidelines (CEQA) pursuant to Class 1, of the Environmental Document Reporting Procedures and Guidelines adopted by the Board, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Lease renewal will provide the necessary warehouse and office space for this County requirement. DHS concurs with the proposed Lease renewal.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, RED, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'WTF' followed by a stylized flourish.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:CMM
SDH:SG:ns

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Health Services

**DEPARTMENT OF HEALTH SERVICES
EMERGENCY MEDICAL SERVICES AGENCY
10430 SLUSHER DRIVE, SANTA FE SPRINGS
Asset Management Principles Compliance Form¹**

1.	Occupancy		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ^{2,1} No, the space is used as a warehouse and disaster staging facility.		X	
2.	Capital				
	A	Is it a substantial net County cost (NCC) program? 100% State and federal Grant Funding.		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 B; is it a capital lease or an operating lease with an option to buy?		X	
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment C?	X		
	G	Was build-to-suit or capital project considered? Program is State and federally funded offsetting monthly rental costs. Capital project was not considered, because of favorable lease term.		X	
3.	Portfolio Management				
	A	Did department utilize CEO Space Request Evaluation (SRE)?	X		
	B	Was the space need justified?	X		
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. ____ No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. <u>X</u> The Program is being co-located.			
	E	Is lease a full service lease? ² Lessor would not agree to a full-service lease as industry standards for warehouse space are net, net, net leases. The County has negotiated that the Lessor will pay maintenance, taxes, janitorial and insurance costs and County will pay for electrical consumption and water.		X	
	F	Has growth projection been considered in space request?	X		
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
	¹ As approved by the Board of Supervisors 11/17/98				

²If not, why not?

ATTACHMENT B

OVERVIEW OF THE LEASE COSTS

10430 SLUSHER, SANTA FE SPRINGS	EXISTING LEASE	LEASE RENEWAL	CHANGES
AREA (RENTABLE SQUARE FEET)	45,290	45,290	None
TERM	06/21/04 to 06/20/14 Mo-to-Mo eff. 06/21/2014	Upon Board of Supervisors' approval	+ Five years
ANNUAL BASE RENT	\$413,044.80	\$423,915.00	+\$10,870.20 +\$0.02 /mo. psf (or \$.24/yr psf)
PARKING INCLUDED IN RENT	50 on-site spaces	50 on-site spaces	None
CANCELLATION	Anytime upon 120 days- notice after the 90th month	Any time after the 24 th month and 120 days additional notice	Any time after the 24 th month and 120 days additional notice
OPTION TO RENEW	Two five-year options	Exercises first five-year option	One option remains
RENTAL ADJUSTMENT	Fixed annual increase of \$0.02 /mo. psf	Fixed annual increase of \$0.02/ mo. psf	None

ATTACHMENT C

**SPACE SEARCH, FIFTEEN MILE RADIUS OF THE CIVIC CENTER, DOWNTOWN LOS ANGELES
DEPARTMENT OF HEALTH SERVICES (EMS)**

LACO	FACILITY NAME	ADDRESS	SQ.FT. GROSS	NET SQ.FT.	OWNERSHIP	SQ.FT. AVAILABLE
6467	AG COMM/WTS MEAS-SOUTH GATE ADMINISTRATION	11012 GARFIELD AVE, SOUTH GATE 90280	21,902	15,325	OWNED	NONE
4238	ANIMAL CONTROL #1-ADMINISTRATION BUILDING	11258 GARFIELD AVE, DOWNEY 90242	8,449	2,772	OWNED	NONE
6723	PUBLIC LIBRARY-LYNWOOD LIBRARY	11320 BULLIS RD, LYNWOOD 90262	11,722	10,396	OWNED	NONE
X349	LYNWOOD REGIONAL JUSTICE CENTER COURTHOUSE	11701 S ALAMEDA ST, LYNWOOD 90262	62,078	53,480	FINANCED	NONE
X351	CENTURY DETENTION-DETENTION ADMIN	11705 S ALAMEDA ST, LYNWOOD 90262	20,706	17,600	FINANCED	NONE
D980	PUBLIC LIBRARY-HOLLYDALE LIBRARY	12000 GARFIELD AVE, SOUTH GATE 90280	5,530	4,440	LEASED	NONE
1204	HEALTH SERVICES-ADMINISTRATION BLDGS 307/308	12817 DAHLIA AVE, DOWNEY 90242	26,475	17,125	OWNED	NONE
1203	DHS-PUBLIC HEALTH FACILITIES BUILDING 301/302	12838 ERICKSON AVE, DOWNEY 90242	19,575	12,170	OWNED	NONE
Y216	PUBLIC LIBRARY-PARAMOUNT LIBRARY	16254 COLORADO AVE, PARAMOUNT 90723	8,750	7,426	OWNED	NONE
C600	DPSS-SOUTH FAMILY AP/SPECIAL DISTRICT OFFICES	17600 A/B S SANTA FE AVE, RANCHO DOMINGUEZ 90221	133,000	103,324	LEASED	NONE
6420	COMPTON COURTHOUSE	200 W COMPTON BLVD, COMPTON 90220	576,467	205,939	FINANCED	NONE
X169	DPSS-COMPTON AP DISTRICT OFFICE	211 E ALONDRA BLVD, COMPTON 90220	48,135	38,777	OWNED	NONE
3037	MONA-DIRECTOR'S BLDG/COMFORT STATION	2291 E 121ST ST, COMPTON 90222	829	296	OWNED	NONE
5982	PUBLIC LIBRARY-COMPTON LIBRARY	240 W COMPTON BLVD, COMPTON 90220	43,842	15,830	OWNED	NONE
A620	PUBLIC LIBRARY-EAST RANCHO DOMINGUEZ LIBRARY	4205 E COMPTON BLVD, EAST COMPTON 90221	5,000	4,529	LEASED	NONE
A560	DCSS-EAST RANCHO DOMINGUEZ SERVICE CENTER	4513 E COMPTON BLVD, RANCHO DOMINGUEZ 90221	4,436	3,188	LEASED	NONE
F325	PW FLOOD-IMPERIAL YARD OFFICE	5525 E IMPERIAL HWY, SOUTH GATE 90280	4,800	2,340	PERMIT	NONE
A350	ASSESSOR-LONG BEACH REGIONAL OFFICE	5898 CHERRY AVE, LONG BEACH 90808	12,450	6,991	OWNED	NONE
X998	LOS PADRINOS JUVENILE COURTHOUSE-1	7281 E QUILL DR, DOWNEY 90242	47,231	24,470	OWNED	NONE
A136	FIRE-PARAMOUNT HAZARDOUS MATERIALS DIV OFFICE	7300 E ALONDRA BLVD, PARAMOUNT 90723	1,928	1,830	LEASED	NONE
A755	PUBLIC LIBRARY-ADMINISTRATION HDQTRS	7400 E IMPERIAL HWY, DOWNEY 90242	68,000	55,733	FINANCED	NONE
D600	DOWNEY COURTHOUSE	7500 E IMPERIAL HWY, DOWNEY 90242	103,502	78,996	FINANCED	NONE
3385	RANCHO-HOSPITAL OFFICE BUILDING 500	7601 E IMPERIAL HWY, DOWNEY 90242	139,789	63,850	FINANCED	NONE
1100	PUBLIC SAFETY-HDQTRS/HEALTH SVCS BUREAU	7601 E IMPERIAL HWY, DOWNEY 90242	15,482	9,221	OWNED	NONE
X238	RANCHO-SUPPORT SERVICES ADMINISTRATION BLDG	7601 E IMPERIAL HWY, DOWNEY 90242	66,200	56,002	FINANCED	NONE
1100	PUBLIC SAFETY-HDQTRS/HEALTH SVCS BUREAU	7601 E IMPERIAL HWY, DOWNEY 90242	51,114	9,221	OWNED	NONE
0370	COMPTON AIRPORT-ADMIN BUILDING-8	901 W ALONDRA BLVD, COMPTON 90220	2,880	2,592	OWNED	NONE